

Marshall Islands Chamber of Commerce

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Meeting Minutes

Friday, July 11, 2008

Marshall Islands Resort

Meeting called to order by President Hirobo Obeketang at 12:15 P.M. Approximately 25 members and guests were in attendance. The next regular meeting will be on Friday, August 8, 2008.

- **Minutes** – approved electronically prior to the meeting
- **Guests**
 - Representatives of the American Embassy
- **Chamber President's opening remarks**

Welcome to the regular July Chamber of Commerce luncheon meeting. A scheduled guest speaker apparently was not able to attend. Following my brief remarks, we'll have our first "open meeting" of this year. We've come to have several of these "open meetings" each year to allow our members to voice their concerns. Today, we have much to discuss.

Food and energy costs have risen at an alarming rate. An increasing number of unemployed or low wage earners and their dependents are now at risk. Our business members recognize the importance of leadership and financial responsibility in the daily operation of a successful organization. The best approach now to confront high costs is for the public and private sectors to work together in a partnership to exercise leadership and financial responsibility. As businessmen and women, we can be more sensitive to the nutritional needs of our workers and their dependents. Where necessary, we can and should assist them with the purchase of basic food commodities. As government leaders, we can be more sensitive about how we spend money. We can and should curtail travel, automobile purchases, free gasoline for personal use, and paying wages and benefits to government employees who do not come to work. We should seriously consider downsizing all levels of government and substantially reducing government salaries. If we exercise this kind of financial responsibility, more public funds will become available to offset the increasing cost of oil and basic food commodities.

Electricity is not an option. It is a requirement for a business community. Electrical rationing is not an option. Businesses cannot operate with electrical rationing. When the cost of oil to produce electricity increases beyond the market's ability to pay for that electricity, it is time for government financial responsibility to operate to fill the MEC

fuel tanks as it becomes necessary. We don't control the world's price of oil. But we do control the cost of our government.

There are no easy solutions to food and energy costs. There is no silver bullet. Some people might naively think that all that the government needs to do is to regulate prices, and that will solve the problem. That is simply not true. The prices of energy and food are set elsewhere. Those prices are not under our control. Our business members have no choice but to pay these costs. They then have to markup what they pay and then sell at that price. Competition prevents price gouging. Nearly all of our business members have competitors. That control is working properly. As President of the Marshall Islands Chamber of Commerce, I would like to recommend to lawmakers that price control – real or stealth price control – is not the answer. It will not work. All that price control will do is to guarantee that products will no longer be available for our purchase. There is only one answer – public financial responsibility. Control public costs and then prioritize the allocation of available funds to mitigate the increasing costs of energy and food.

- **New Business**

[Secretary's note: Many views were expressed. Vigorous discussions ensued. Rather than attribute any particular view, I'll present the ideas that were expressed]

- Carlos Domnick, President of the RMI Business Association, in concert with Ramsey Reimers, Tony DeBrum, and others have been instrumental in holding weekly meetings where members of the Private Sector can openly discuss important ideas with the elected leadership. The Chamber's Executive Committee and other Chamber members are encouraged to attend these meetings. Majority and minority Senators should be invited to attend these sessions. MEC has attended. NTA, Ports Authority, and other quasi governmental agencies should also attend.

- Sam Smith is the new Chamber Public Affairs Chairman. He has taken over the duties of Ben Graham who is no longer available to chair this committee.

- The President and Cabinet have proclaimed an economic state of emergency for 30 days and stated some initial rules. The National Economic Disaster Committee is charged with the responsibility to implement those rules. This includes identifying what is to be done, by whom, and when a task should be completed. This committee includes the heads of all Ministries and Agencies. Hirobo represents the Chamber of Commerce. Even though the initial period of the emergency is a month, the Committee is reviewing long term solutions. A lot is going on now. The Committee meets each Thursday morning to establish metrics (the measuring of results), make assignments, and prepare a review for subsequent Cabinet oversight as presented by the Chief Secretary later the same day. This problem will not go away. There is a changed reality today. We have to adjust to that reality. The initial rules have been refined. Any new orders that the committee might propose would have to be approved by the Cabinet. There aren't any new rules yet. Deliverables based on the initial rules have been defined. Each head of an Agency or Secretary is responsible for reducing the amount of energy used by his or her organization. The National Police are responsible for checking things at night. At the end

of each week, we will have a meter reading of every government organization to see if energy use has declined. No specific percentage of reduction has been specified.

- It appears that the August session of the Nitijela will consider granting MEC the sole right to sell fuel in the country and be the only seller of electricity. Regarding MEC as the sole seller of fuel, this pertains to the protection of MEC fuel sales from the sale and delivery of fuel on the ocean. It would be difficult to grant MEC the sole authority to sell electricity. The Chamber has faced issues such as these in the past. The proper role of the Chamber is to disseminate timely information to its members about proposed legislation and then encourage its individual members who might have an issue with a particular piece of legislation to testify at the public hearing.

- As has been previously reported and as of now about one half of the needed 6.5 million dollars has been identified by the government.

- We need to be rid of state owned enterprises. Nothing in the emergency rules mentions privatization. We have to look at all state owned enterprises.

- It isn't only proposed legislation that should be reviewed by Chamber members. Present legislation should also be examined. For example, it appears that there is a law that allows the government to owe businesses money while businesses are prohibited from owing government money. In fact and when a business owes government money, government will assess fines and penalties. This denies business the opportunity to offset what it is owed with what it owes.

- The issue here is that as a result of past government spending, government was unable to come up with the funds necessary to deal with an emergency. There were no reserves. Can government truly afford what it is doing now? Government is unable to step in to solve a problem. How do we address that? For example, from 1999 to the present government salaries have increased from 17 million to 34 million.

- If the government doesn't have reserves now, there will be problems in that there is some discussion about reducing certain taxes.

- Dramatic change should happen. This is an ideal time to make that change. Now is the time to do it. There is a crisis. This is a global situation. Our leaders need to get smarter.

- There are vested interests. We need to evaluate the entire government to determine the appropriate size of the Public Sector. Some agencies have done very well. Any "across the board" reduction would not be appropriate. It would penalize those agencies that have done well.

- At the government Executive Level they're doing their job. Privatization is the answer to the other areas.

- We should distinguish between necessary short term tactics and long term strategies to solve the problem.

- There is nearly one million dollars a year of free electricity. This could be eliminated in the next session of the Nitijela. However, Senators are elected by land owners. Cut the land owners free electricity and the Senators might not get re-elected.

- Usage is down. Why is MEC losing money?

- A couple of years ago there was a successful effort to involve NGOs in the annual government budgeting process. The current situation is an opportunity to do that again. Get more people involved in the national budget. Where is the money going?

- There were three submissions to take over the management of MEC where the government would not have to fund anything. These submissions were rejected by MEC management. The Cabinet has to decide to do this, not MEC. There is no better time to consider this than now. Any member of the public can make recommendations to the Cabinet.

- The National Economic Disaster Committee should seriously consider paying what is due to ADB to allow ADB to contribute as much as ten million dollars toward the present crisis.

- Is there a serious problem with importing rice? Are there outside supplier export quotas that will significantly reduce the amount of rice that local retailers can import? Yes.

- The reason why no children were invited to the recent American Embassy July 4th celebration on July 3rd is that this was a “representational event” the purpose of which is to entertain important people in the community. At just about every other Embassy in the world, the other type of July 4th party where Americans and their families celebrate in the traditional way is usually an attendee sponsored event. Also there was some question about determining the age of a young person where alcohol is served.

- Some time ago, Colonel Reed briefed the Cabinet about what was to become Kwajalein Range Services (KRS contractor) reductions in force. Colonel Reed promised at that time to return with an update. He will be leaving his command at Kwajalein on July 31st. He will come to Majuro on July 17th to deliver on his earlier promise to update the Cabinet.

- TSL Enterprises distributed free CD-ROM copies of all RMI laws as of 2005.

Meeting adjourned at 1:15 PM.

Minutes prepared by:

Jim McLean